

CITY OF FREMONT

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006



CITY OF FREMONT, IOWA

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CITY OF FREMONT, IOWA

OFFICIALS

Dan Butler	Mayor	December, 2007
Doug Lappin	Council Member	December, 2007
Billy Spratt	Council Member	December, 2009
Jeff Hopkins	Council Member	December, 2009
Phil Brown	Council Member	December, 2009
David Dixon	Attorney	Appointed
Carmen Baxter	Clerk	Appointed





ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge"*

Kenneth E. Crosser, CPA  
April D. Hammack, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members  
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Fremont, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fremont, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Fremont, Iowa as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2006 on our consideration of the City of Fremont, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 18 through 20 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.





Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fremont, Iowa's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
December 6, 2006



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Fremont, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### 2006 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 8.08%, or \$20,297, from fiscal 2005 to fiscal 2006. Charges for service increased \$28,544 and other general receipts decreased \$9,400.
- Governmental disbursements and transfers decreased 8.04%, or \$16,606, from fiscal 2005 to fiscal 2006. Public works disbursements decreased \$14,780 and accounted for the majority of this decrease.
- The City's total cash basis net assets increased 14.23%, or \$124,444 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased \$81,365 and the assets of the business type activities increased by \$43,079.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental funds and proprietary funds were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's debt. In addition, the Schedule of Receipts by Source and Disbursements by Function provides comparative detail of the City's receipts and disbursements.

### Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.



## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balances for governmental activities increased from a year ago, from \$361,274 to \$442,639. The analysis that follows focuses on the changes in cash balances for governmental activities.



Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program receipts:		
Charges for service	\$ 45,775	\$ 17,231
Operating grants, contributions and restricted interest	63,443	63,718
General receipts:		
Property tax	100,862	98,591
Other City tax	52,692	55,319
Unrestricted investment earnings	6,004	4,220
Other general receipts	<u>2,589</u>	<u>11,989</u>
Total receipts	<u>271,365</u>	<u>251,068</u>
Disbursements and transfers:		
Public safety	15,115	14,068
Public works	56,857	71,637
Culture and recreation	14,730	13,537
General government	36,622	39,696
Debt service	46,833	48,024
Transfers, net	<u>19,843</u>	<u>19,644</u>
Total disbursements and transfers	<u>190,000</u>	<u>206,606</u>
Increase in cash basis net assets	81,365	44,462
Cash basis net assets beginning of year	<u>361,274</u>	<u>316,812</u>
Cash basis net assets end of year	\$ <u>442,639</u>	\$ <u>361,274</u>

The City's total receipts for governmental activities increased by 8.08%, or \$20,297. The total cost (including transfers) of all programs and services decreased by \$16,606, or 8.04%, with no new programs added this year. The increase in receipts was primarily the result of a full year of receipts collected from the Community Center. Last fiscal year reflects only a partial year because the title of the Community Center transferred to the City mid-year.

The cost (including transfers) of all governmental activities this year was \$190,000 compared to \$206,606 last year. However, as shown in the Statement of Activities and Net Assets on pages 9 and 10, the amount taxpayers ultimately financed for these activities was only \$60,939 because some of the cost was paid by those directly benefited from the programs \$(45,775) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$(63,443). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2006 from \$80,949 to \$109,218, principally due to a full year of receipts collected from the Community Center as explained above. The City paid for the remaining "public benefit" portion of governmental activities with \$153,554 in tax (some of which could only be used for certain programs) and with other receipts, such as unrestricted interest and general entitlements.





### Changes in Cash Basis Net Assets of Business-Type Activities

	<u>Year ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 80,066	\$ 78,868
Sewer	71,942	70,803
Operating grants, contributions and restricted interest	889	501
General receipts:		
Proceeds from sale of equipment	<u>6,175</u>	<u>-</u>
Total receipts	<u>159,072</u>	<u>150,172</u>
Disbursements and transfers:		
Water	100,133	47,920
Sewer	35,703	22,491
Transfers, net	<u>(19,843)</u>	<u>(19,644)</u>
Total disbursements and transfers	<u>115,993</u>	<u>50,767</u>
Increase in cash balance net assets	43,079	99,405
Cash basis net assets at the beginning of year	<u>513,068</u>	<u>413,663</u>
Cash basis net assets at the end of year	<u>\$ 556,147</u>	<u>\$ 513,068</u>

Total business type activities receipts for the fiscal year were \$159,072 compared to \$150,172 in the prior year. This was primarily because miscellaneous equipment was sold for \$6,175 during the year. Total disbursements and transfers for the fiscal year increased by 128.48%, or \$65,226, primarily because of water tower repairs, water update project costs, and sewer project engineering costs which were in addition to the normal operating costs that were incurred in the prior year.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Fremont, Iowa completed the year, its governmental funds reported a combined fund balance of \$442,632, an increase of \$81,365 from last year's total of \$361,274. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$50,284 from the prior year to \$222,859. The increase was primarily due to a full year of receipts from the Community Center. Other factors contributing to the increase was prior year street lighting project costs and road maintenance costs that were not repeated during the current fiscal year.
- The Road Use Tax Fund cash balance increased by \$31,081 to \$219,780 during the current fiscal year. This increase is consistent with the prior year increase. The City intends to use these amounts to upgrade the condition of City roads.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$9,097 to \$279,877, due primarily to the sale of miscellaneous equipment for \$6,175.
- The Sewer Fund cash balance increased by \$33,982 to \$276,270. This increase is slightly lower than last years increase because of current year engineering costs. The City intends to use these amounts for sewer update projects

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 1, 2006 and resulted in an increase in culture and recreation disbursements and an increase in business-type disbursements. The City had sufficient cash balances to absorb these additional costs.



## DEBT ADMINISTRATION

At June 30, 2006, the City had \$394,000 in general obligation bonds, compared to \$424,000 last year, as shown below.

### Outstanding Debt at Year End

	<u>2006</u>	<u>June 30,</u> <u>2005</u>
General Obligation Bonds	\$ <u>394,000</u>	\$ <u>424,000</u>

Debt decreased as a result of principal retirement

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly less than their constitutional debt limit of \$522,494.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Fremont, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 3.3%, versus 4.8% a year ago. This compares with the State's unemployment rate of 3.0% and the national rate of 4.8%.

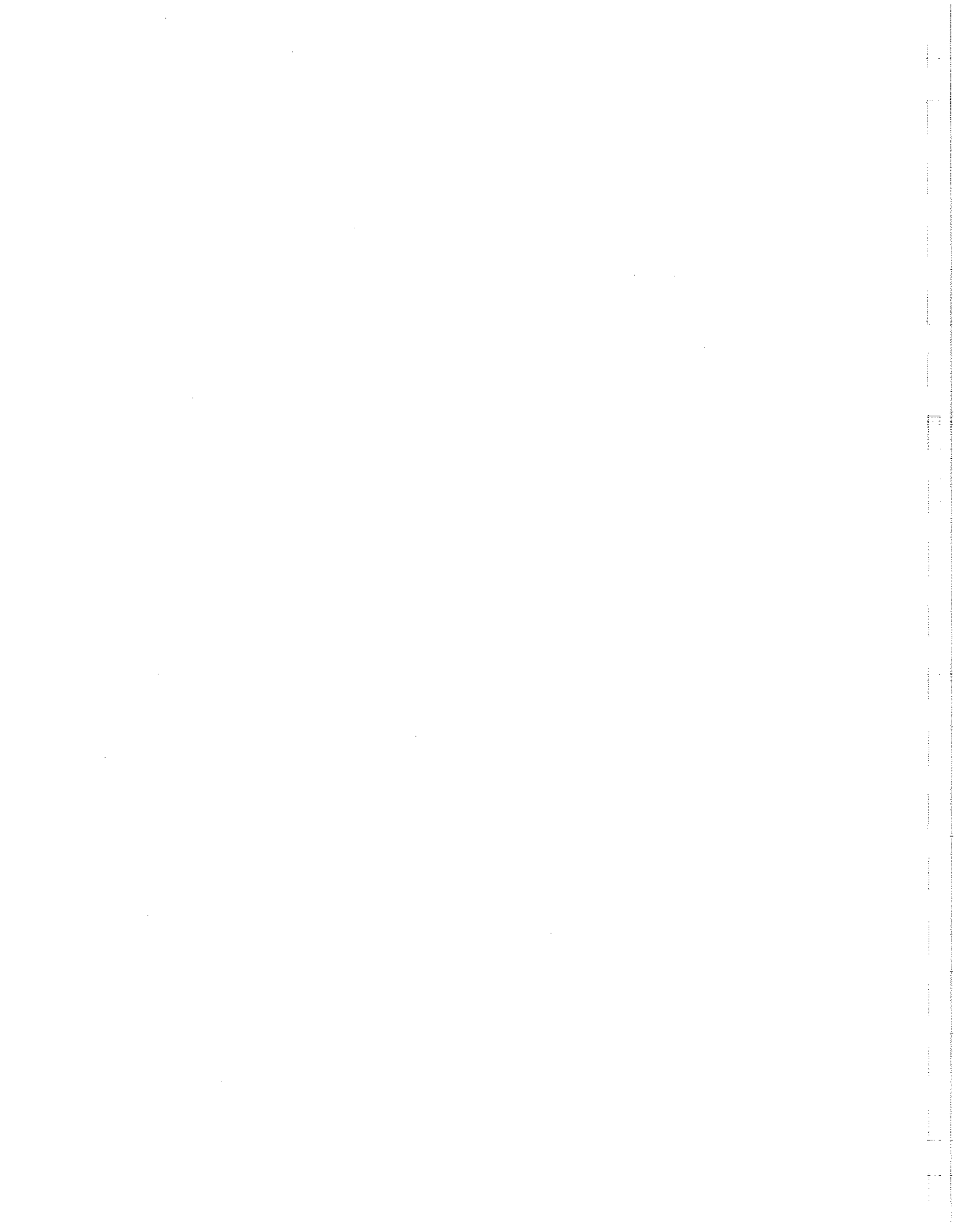
Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.4% for fiscal year 2006 compared with the national rate of 3.9%.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$452,899, an increase of 2.2% from the final 2006 budget. Budgeted disbursements and transfers are expected to increase by \$2,980. The City has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by \$12,146 by the close of fiscal year 2007.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carmen Baxter, City Clerk, P. O. Box 301, Fremont, Iowa



## BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

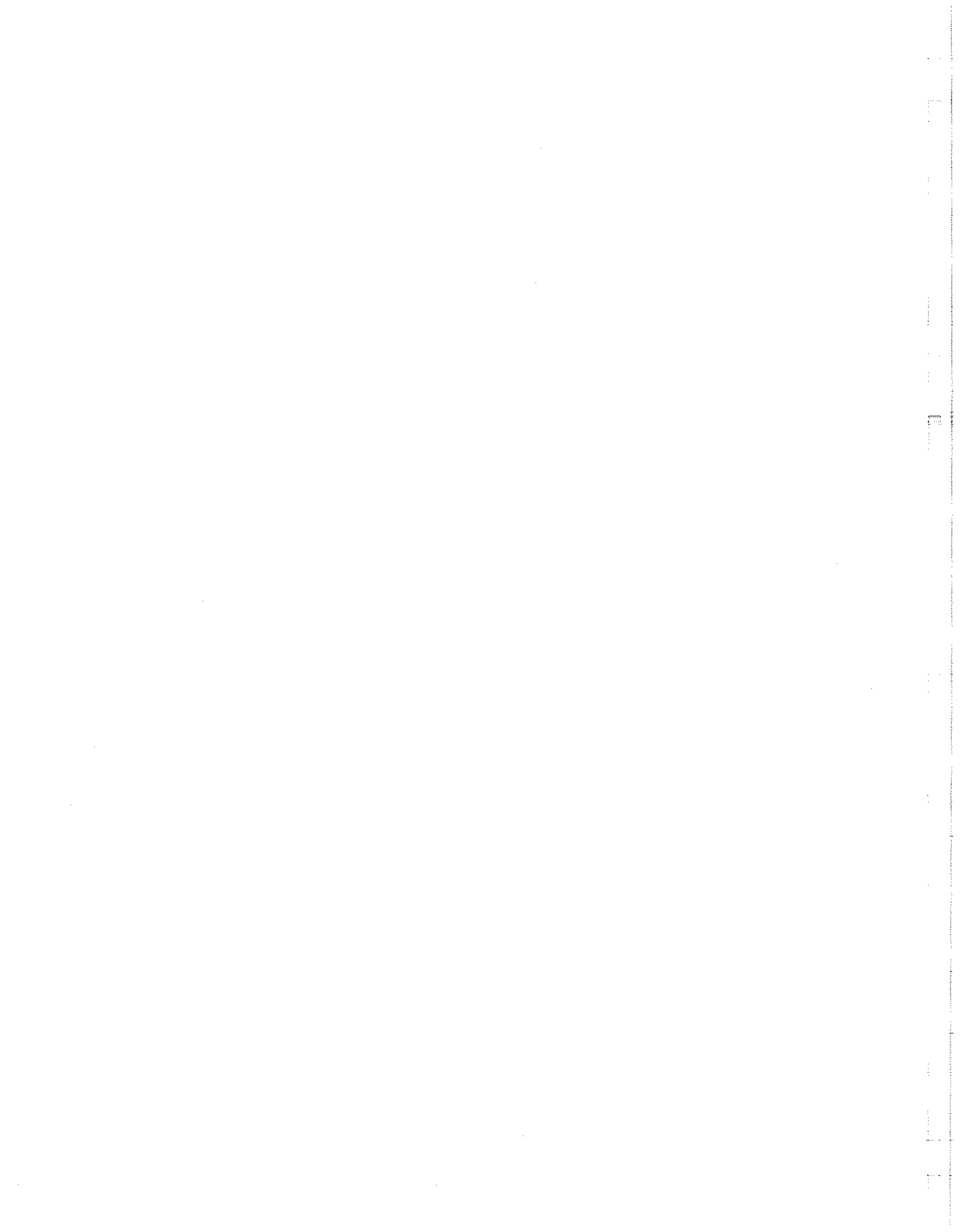
Functions/Programs		<u>Program Receipts</u>	
		<u>Charges</u>	<u>Operating Grants,</u>
	<u>Disbursements</u>	<u>for Service</u>	<u>Contributions</u>
			<u>and Restricted</u>
			<u>Interest</u>
Governmental activities:			
Public safety	\$ 15,115	\$ 130	\$ -
Public works	56,857	-	58,943
Culture and recreation	14,730	37,979	-
General government	36,622	7,666	4,500
Debt service	46,833	-	-
Total governmental activities	<u>170,157</u>	<u>45,775</u>	<u>63,443</u>
Business type activities:			
Water	100,133	80,066	-
Sewer	35,703	71,942	-
Total business type activities	<u>135,836</u>	<u>152,008</u>	<u>-</u>
Total	\$ <u>305,993</u>	\$ <u>197,783</u>	\$ <u>63,443</u>
General receipts:			
Property tax levied for:			
General purposes			
Debt service			
Other City tax			
Unrestricted interest on investments			
Proceeds from sale of equipment			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<u>Cash Basis Net Assets</u>			
Restricted:			
Debt service			
Unrestricted			
Total cash basis net assets			

See Accompanying Notes to Financial Statements

EXHIBIT A

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (14,985)	\$ -	\$ (14,985)
2,086	-	2,086
23,249	-	23,249
(24,456)	-	(24,456)
(46,833)	-	(46,833)
<u>(60,939)</u>	<u>-</u>	<u>(60,939)</u>
-	(20,067)	(20,067)
-	36,239	36,239
-	16,172	16,172
<u>(60,939)</u>	<u>16,172</u>	<u>(44,767)</u>
79,560	-	79,560
21,302	-	21,302
52,692	-	52,692
6,004	889	6,893
-	6,175	6,175
2,589	-	2,589
<u>(19,843)</u>	<u>19,843</u>	<u>-</u>
<u>142,304</u>	<u>26,907</u>	<u>169,211</u>
81,365	43,079	124,444
<u>361,274</u>	<u>513,068</u>	<u>874,342</u>
\$ <u>442,639</u>	\$ <u>556,147</u>	\$ <u>998,786</u>
\$ -	\$ 91,608	\$ 91,608
<u>442,639</u>	<u>464,539</u>	<u>907,178</u>
\$ <u>442,639</u>	\$ <u>556,147</u>	\$ <u>998,786</u>





## CITY OF FREMONT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

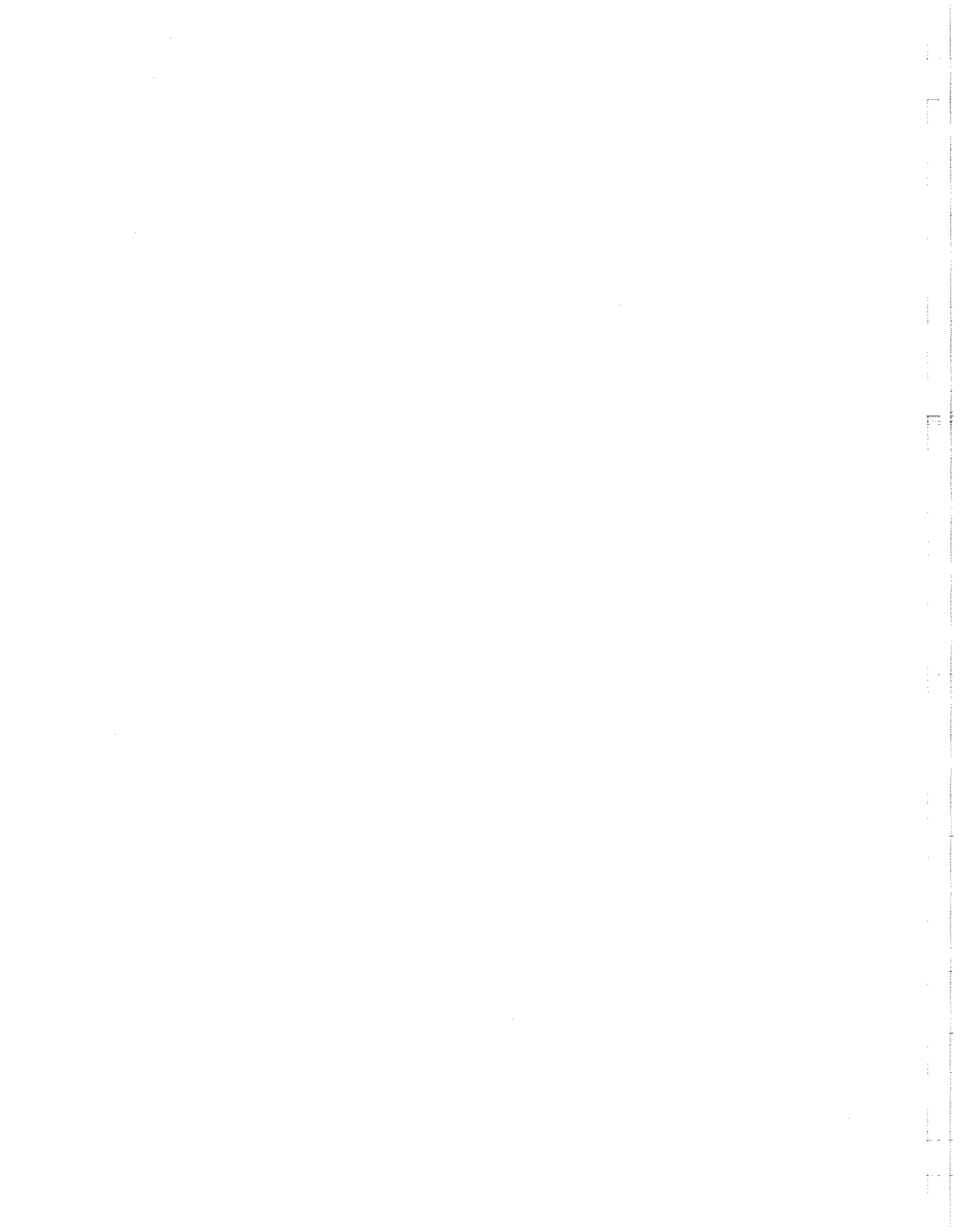
		<u>Special Revenue</u>				
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Tax</u>	<u>Debt Service</u>	<u>Total</u>	
<u>RECEIPTS:</u>						
Property tax	\$ 79,560	\$ -	\$ -	\$ 21,302	\$ 100,862	
Other City tax	2,276	-	50,416	-	52,692	
Licenses and permits	1,000	-	-	-	1,000	
Use of money and property	12,504	-	-	-	12,504	
Intergovernmental	4,500	58,943	-	-	63,443	
Charges for service	38,275	-	-	-	38,275	
Miscellaneous	2,589	-	-	-	2,589	
Total receipts	<u>140,704</u>	<u>58,943</u>	<u>50,416</u>	<u>21,302</u>	<u>271,365</u>	
<u>DISBURSEMENTS:</u>						
Operating:						
Public safety	15,115	-	-	-	15,115	
Public works	28,995	27,862	-	-	56,857	
Culture and recreation	14,730	-	-	-	14,730	
General government	31,580	-	5,042	-	36,622	
Debt service	-	-	-	46,833	46,833	
Total disbursements	<u>90,420</u>	<u>27,862</u>	<u>5,042</u>	<u>46,833</u>	<u>170,157</u>	
Excess (deficiency) of receipts over (under) disbursements	<u>50,284</u>	<u>31,081</u>	<u>45,374</u>	<u>(25,531)</u>	<u>101,208</u>	
Other financing sources (uses):						
Operating transfers in	-	-	-	25,531	25,531	
Operating transfers out	-	-	(45,374)	-	(45,374)	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(45,374)</u>	<u>25,531</u>	<u>(19,843)</u>	
Net change in cash balances	50,284	31,081	-	-	81,365	
<u>CASH BALANCE - Beginning of year</u>	<u>172,575</u>	<u>188,699</u>	<u>-</u>	<u>-</u>	<u>361,274</u>	
<u>CASH BALANCE - End of year</u>	<u>\$ 222,859</u>	<u>\$ 219,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,639</u>	
<u>Cash Basis Fund Balances</u>						
Unreserved:						
General fund	\$ 222,859	\$ -	\$ -	\$ -	\$ 222,859	
Special revenue funds	-	219,780	-	-	219,780	
Total cash basis fund balances	<u>\$ 222,859</u>	<u>\$ 219,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,639</u>	



## CITY OF FREMONT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating receipts:</u>			
Charges for service	\$ 80,066	\$ 71,942	\$ 152,008
<u>Operating disbursements:</u>			
Business type activities	<u>100,133</u>	<u>35,703</u>	<u>135,836</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(20,067)	36,239	16,172
<u>Non-operating receipts:</u>			
Interest on investments	302	587	889
Proceeds from sale of equipment	<u>6,175</u>	<u>-</u>	<u>6,175</u>
Total non-operating receipts	<u>6,477</u>	<u>587</u>	<u>7,064</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(13,590)</u>	<u>36,826</u>	<u>23,236</u>
<u>Other financing sources (uses):</u>			
Operating transfers in	22,687	22,687	45,374
Operating transfers out	<u>-</u>	<u>(25,531)</u>	<u>(25,531)</u>
Total other financing sources (uses)	<u>22,687</u>	<u>(2,844)</u>	<u>19,843</u>
Net change in cash balances	9,097	33,982	43,079
<u>CASH BALANCES - Beginning of year</u>	<u>270,780</u>	<u>242,288</u>	<u>513,068</u>
<u>CASH BALANCES - End of year</u>	<u>\$ 279,877</u>	<u>\$ 276,270</u>	<u>\$ 556,147</u>
<u>Cash Basis Fund Balances</u>			
Reserved for:			
Debt service	\$ -	\$ 91,608	\$ 91,608
Unreserved	<u>279,877</u>	<u>184,662</u>	<u>464,539</u>
Total cash basis fund balances	<u>\$ 279,877</u>	<u>\$ 276,270</u>	<u>\$ 556,147</u>



## CITY OF FREMONT, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fremont, Iowa is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

##### A Reporting Entity

For financial reporting purposes, the City of Fremont, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following commissions: County Emergency Management Commission, Mahaska County Landfill Commission and Area XV Regional Planning Commission.

##### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.



CITY OF FREMONT, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B**    Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund accounts for the 1% local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C**    Measurement Focus and Basis of Accounting

The City of Fremont, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D**    Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.





CITY OF FREMONT, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federal insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006 the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Savings	\$ 61,041	\$ 61,041
Time deposits	<u>136,651</u>	<u>136,651</u>
Total City investments	\$ <u>197,692</u>	\$ <u>197,692</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3: BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 30,000	\$ 15,445
2008	31,000	14,269
2009	31,000	13,054
2010	36,000	11,838
2011	36,000	10,427
2012	36,000	9,016
2013	38,000	7,605
2014	38,000	6,115
2015	39,000	4,626
2016	39,000	3,097
2017	<u>40,000</u>	<u>1,568</u>
	\$ <u>394,000</u>	\$ <u>97,060</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.



CITY OF FREMONT, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PENSION AND RETIREMENT BENEFITS (Continued)

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$3,366, \$3,146 and \$3,164, respectively, equal to the required contributions for each year.

NOTE 5: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$7,022.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006 settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.



CITY OF FREMONT, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: RISK MANAGEMENT (Continued)

The City also carries commercial insurance purchased from other insurers for coverage associated with the various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned, but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2006, is \$2,767. This liability has been computed based on rates of pay in effect at June 30, 2006.

NOTE 7: INTERFUND TRANSFERS

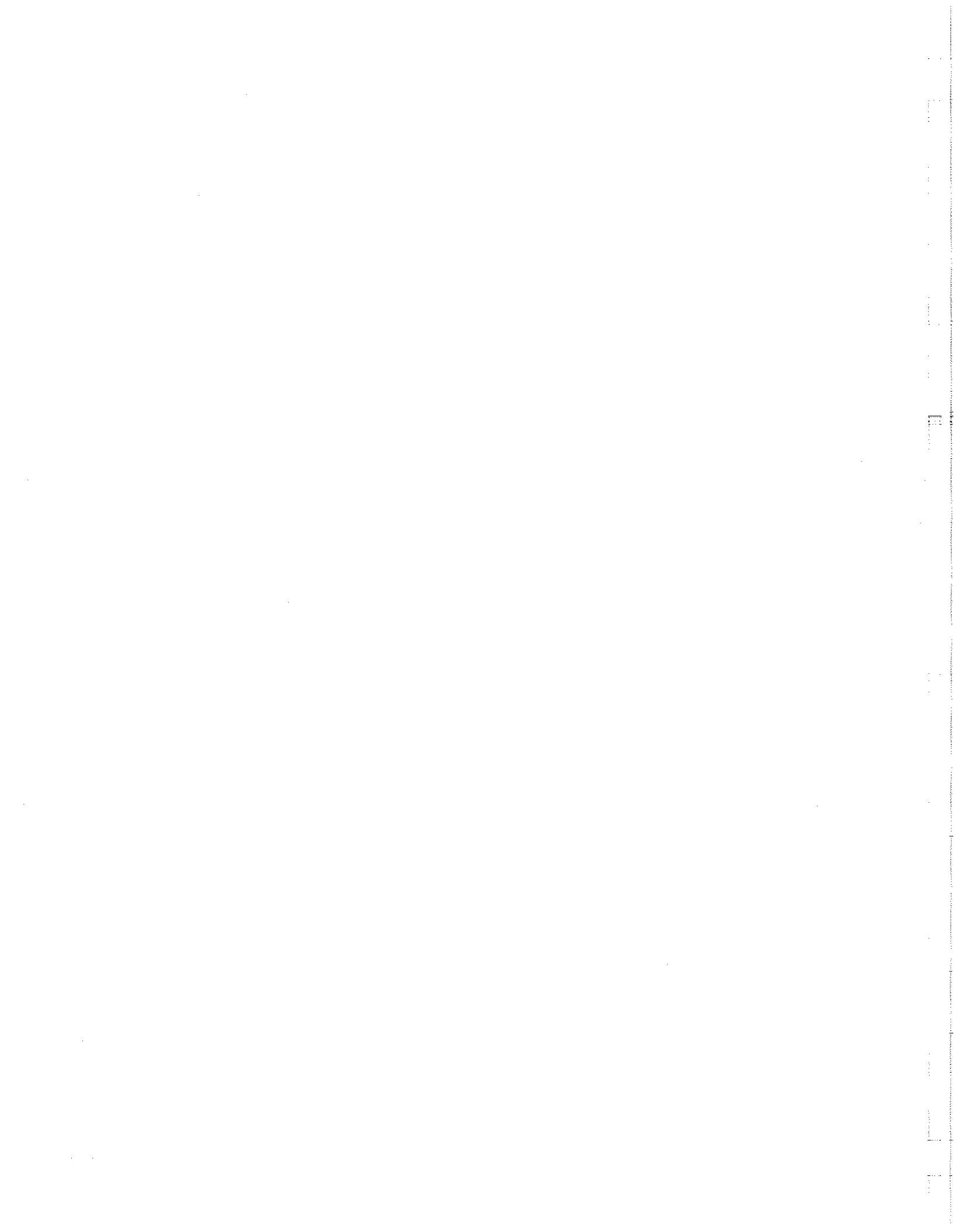
The detail for interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Proprietary: Water	Special Revenue: Local Option Tax	\$ 22,687
Sewer	Local Option Tax	22,687
Debt Service	Proprietary: Sewer	<u>25,531</u>
		\$ <u>70,905</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 8: ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.



## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, IOWA

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS - REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 100,862	\$ -	\$ 100,862
Other City tax	52,692	-	52,692
License and permits	1,000	-	1,000
Use of money and property	12,504	889	13,393
Intergovernmental	63,443	-	63,443
Charges for service	38,275	158,183	196,458
Miscellaneous	<u>2,589</u>	<u>-</u>	<u>2,589</u>
Total receipts	<u>271,365</u>	<u>159,072</u>	<u>430,437</u>
<u>DISBURSEMENTS:</u>			
Public safety	15,115	-	15,115
Public works	56,857	-	56,857
Culture and recreation	14,730	-	14,730
General government	36,622	-	36,622
Debt service	46,833	-	46,833
Business type activities	<u>-</u>	<u>135,836</u>	<u>135,836</u>
Total disbursements	<u>170,157</u>	<u>135,836</u>	<u>305,993</u>
Excess (deficiency) of receipts over (under) disbursements	101,208	23,236	124,444
Other financing sources (uses), net	<u>(19,843)</u>	<u>19,843</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	81,365	43,079	124,444
<u>BALANCES - Beginning of year</u>	<u>361,274</u>	<u>513,068</u>	<u>874,342</u>
<u>BALANCES - End of year</u>	\$ <u>442,639</u>	\$ <u>556,147</u>	\$ <u>998,786</u>



<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 98,463	\$ 98,463	\$ 2,399
53,638	53,638	(946)
740	740	260
10,600	10,600	2,793
59,000	59,000	4,443
149,130	154,130	42,328
900	30,900	(28,311)
<u>372,471</u>	<u>407,471</u>	<u>22,966</u>
17,810	17,810	2,695
87,900	87,900	31,043
9,521	16,521	1,791
53,075	53,075	16,453
46,833	46,833	-
151,875	188,275	52,439
<u>367,014</u>	<u>410,414</u>	<u>104,421</u>
5,457	(2,943)	127,387
<u>-</u>	<u>-</u>	<u>-</u>
5,457	(2,943)	127,387
<u>797,819</u>	<u>797,819</u>	<u>76,523</u>
\$ <u>803,276</u>	\$ <u>794,876</u>	\$ <u>203,910</u>



CITY OF FREMONT IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$43,400. The budget amendment is reflected in the final budgeted amounts.



## OTHER SUPPLEMENTARY INFORMATION

CITY OF FREMONT, IOWA

SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>General Obligation Bonds:</u>			
Sewer project	January 4, 1999	3.92%	\$ 205,000
Sewer project	December 11, 1997	3.92%	<u>396,000</u>
Total			\$ <u>601,000</u>

SCHEDULE 1

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 144,000	\$ -	\$ 10,000	\$ 134,000	\$ 5,645
<u>280,000</u>	<u>-</u>	<u>20,000</u>	<u>260,000</u>	<u>10,976</u>
\$ <u>424,000</u>	\$ <u>-</u>	\$ <u>30,000</u>	\$ <u>394,000</u>	\$ <u>16,621</u>





## CITY OF FREMONT, IOWA

BOND MATURITIES  
JUNE 30, 2006

## General Obligation - Bonds

Year Ending June 30,	Series 1997				Series 1999				Total
	Interest Rate			Amount	Interest Rates			Amount	
2007	3.92	%	\$	20,000	3.92	%	\$	10,000	\$ 30,000
2008	3.92			20,000	3.92			11,000	31,000
2009	3.92			20,000	3.92			11,000	31,000
2010	3.92			25,000	3.92			11,000	36,000
2011	3.92			25,000	3.92			11,000	36,000
2012	3.92			25,000	3.92			11,000	36,000
2013	3.92			25,000	3.92			13,000	38,000
2014	3.92			25,000	3.92			13,000	38,000
2015	3.92			25,000	3.92			14,000	39,000
2016	3.92			25,000	3.92			14,000	39,000
2017	3.92			25,000	3.92			15,000	40,000
Total			\$	<u>\$260,000</u>			\$	<u>134,000</u>	\$ <u>394,000</u>



## CITY OF FREMONT, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS

FOR THE LAST TWO YEARS

	<u>2006</u>	<u>2005*</u>
<u>RECEIPTS:</u>		
Property tax	\$ 100,862	\$ 98,591
Other City tax	52,692	55,319
Licenses and permits	1,000	1,482
Use of money and property	12,504	10,670
Intergovernmental	63,443	63,718
Charges for service	38,275	9,299
Miscellaneous	<u>2,589</u>	<u>11,989</u>
Total	\$ <u>271,365</u>	\$ <u>251,068</u>
<u>DISBURSEMENTS:</u>		
Operating:		
Public safety	\$ 15,115	\$ 14,068
Public works	56,857	71,637
Culture and recreation	14,730	13,537
General government	36,622	39,696
Debt service	<u>46,833</u>	<u>48,024</u>
Total	\$ <u>170,157</u>	\$ <u>186,962</u>

\*Unaudited

See Accompanying Independent Auditor's Report





ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge"*

Kenneth E. Crosset, CPA  
April D. Hammack, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, and each major fund of the City of Fremont, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 6, 2006. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fremont, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Fremont, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fremont, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of



financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fremont, Iowa and other parties to whom the City of Fremont, Iowa may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fremont, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
December 6, 2006





CITY OF FREMONT, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- a. A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

- 06-II-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

- 06-II-B Construction Project - A written contract was not obtained for a water project.

Recommendation - Written contracts should be obtained for all significant projects to avoid misunderstandings and to provide the necessary documentation for sales tax refunds.

Response - We will do so from now on.

Conclusion - Response accepted.

- 06-II-C 1099s / W-2s - The Mayor, City Council and Fire Chief are paid as contract laborers for the services they perform.

Recommendation - The Mayor, City Council and Fire Chief should be considered employees of the City and be issued W-2 forms for the work they perform.

Response - We will do so.

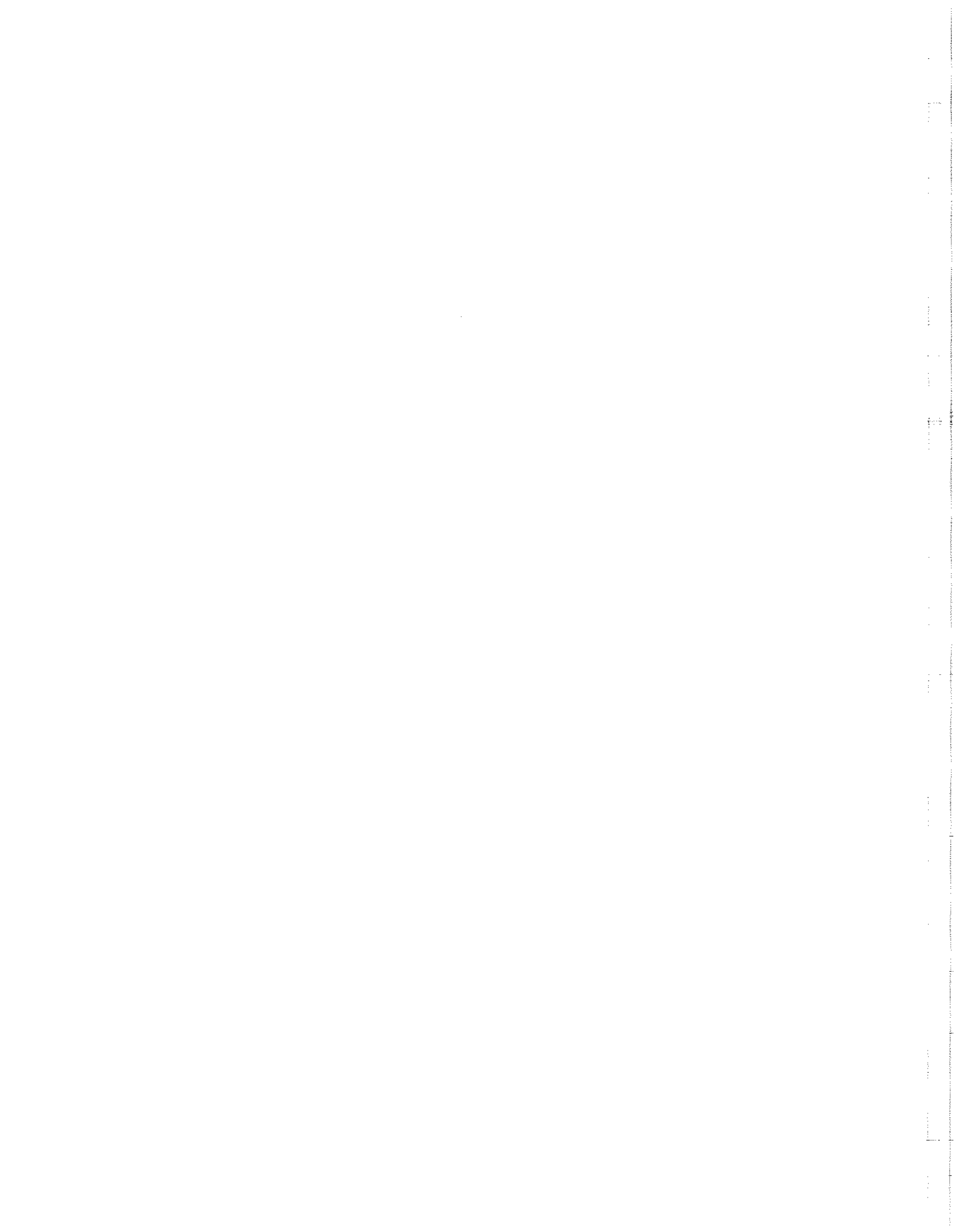
Conclusion - Response accepted.

- 06-II-D Reimbursements - Certain City employees are reimbursed for the use of personal assets for City purposes. We noted several instances where employees are not submitting receipts for such reimbursements.

Recommendation - All reimbursements should be accompanied by a receipt or the reimbursement should be added to the employee's Form W-2 as taxable wages.

Response - We will do so from now on.

Conclusion - Response accepted.



CITY OF FREMONT, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements (Continued)

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

- 06-III-A Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded in March and June of 2006

Recommendations - If deposits are consistently in excess of depository resolution limits, the depository limits should be increased or deposits moved to other financial institutions.

Response - We will do so.

Conclusion - Response accepted.

- 06-III-B Certified Budget - Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

- 06-III-C Questionable Disbursements - Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Payee</u>	<u>Amount</u>
Fremont Little League	\$ 200
Keith Parlett Funeral Memorial	100
Fremont Frontier Days	250

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by disbursements of this type before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

- 06-III-D Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted

- 06-III-E Business Transactions - No business transactions between the City and City officials or employees were noted.

- 06-III-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.



CITY OF FREMONT, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- 06-III-G Council Minutes - Certain transactions were found that we believe should have been approved in the Council minutes but were not. Bonuses were given to certain employees that were authorized verbally by the Mayor. No such authorization was noted in the minutes.

Recommendation - According to Code of Iowa Chapter 372.13(A), there are only certain circumstances where payments are allowed without the prior authorization of the City Council. These payments did not qualify. Payments for salaries and payrolls must be approved by the City Council and documented in the minutes of the respective meetings in which such payments were authorized.

Response - We will do so from now on.

Conclusion - Response accepted.

- 06-III-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- 06-III-I City Asset Usage - We found certain instances where City assets had been used by City employees or officials for their personal use.

Recommendation - The City should adopt a written policy that specifies when personal use of City assets is allowed.

Response - We will do so.

Conclusion - Response accepted.

